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E.O. 12958: DECL: 11/12/2019
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SUBJECT: "NO TANGIBLE RESULTS" ON SOUTH STREAM DURING
AUSTRIAN CHANCELLOR'S VISIT

REF: VIENNA 1401

Classified By: EconMinCouns Matthias J. Mitman, Reasons 1.4 (b,d)

¶1. (SBU) Following Prime Minister Putin's meeting with visiting Austrian Chancellor Werner Faymann, media reports cited Austrian "backing" of the proposed South Stream gas pipeline project. As is often the case, however, the reports appear to have been overblown. The visit did not produce any final agreement, verbal or written, regarding South Stream. During a joint press conference, Faymann merely stated that "South Stream and other projects should not be mutually exclusive," and indicated that South Stream is in Austria's interests. In addition, Putin announced that Austria and Russia intended to fast-track efforts to establish a bilateral agreement for the construction of South Stream.

¶2. (C) Florian Groeder (protect), Political/Economic Officer at the Austrian Embassy in Moscow, told us on November 12 that Chancellor Faymann's visit produced "no tangible results" on South Stream. Groeder said the two sides only "reiterated well-known positions." He added that the proposed Nabucco gas pipeline, run by Austria's OMV, is his government's clear priority over South Stream.

COMMENT

¶3. (C) As a foreign leader seeking better relations with Russia, Chancellor Faymann appears to have made a few general remarks regarding the future of South Stream, which were then distorted by local media to imply Austrian support for the project. Faymann's comments aside, it is difficult to see how Nabucco and South Stream could both exist to serve a European gas market that appears flooded for the foreseeable future. Furthermore, given OMV's role in Nabucco, Russia faces a tough sell on South Stream. In addition to Austria's firm commitment to Nabucco, South Stream also faces daunting financial, logistical, environmental, and other obstacles that will likely prevent its completion anytime close to the 2015 target date, if ever.
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